



COMMONWEALTH of VIRGINIA
DEPARTMENT OF MEDICAL ASSISTANCE SERVICES
600 East Broad Street, Suite 700
Richmond, VA 23219

September 22, 2006

Dear Prospective Vendor:

The Department of Medical Assistance Services is soliciting proposals from qualified firms for the purpose of performing Consulting and Actuarial services provided to the Division of Provider Reimbursement. Specific details about this procurement are in the enclosed request for proposal RFP 2007-01. Contractors must check the DMAS web site at www.dmas.virginia.gov and/or check the eVA web site at www.eva.state.va.us for any addendums or notices regarding this RFP.

The Commonwealth will not pay any costs that any contractor incurs in preparing a proposal and reserves the right to reject any and all proposals received.

Contractors are requested not to call this office. All issues and questions related to this RFP should be submitted in writing to the attention of, T. Nicholas Merciez, Reimbursement Manager, Provider Reimbursement Division, 600 East Broad Street, Richmond, VA 23219, by fax at 804-786-0729, or by e-mail at nick.merciez@dmas.virginia.gov.

Contractors who wish to submit a proposal are required to submit a Letter of Intent which must be received by the Department no later than 2:00 PM local time on October 11, 2006. The prior submission of a Letter of Intent is a prerequisite for submitting a proposal; proposals will not be accepted from Contractors who have not submitted a signed Letter of Intent by the deadline specified above. Letters of Intent shall be sent to:

Department of Medical Assistance Services
Attention: William D. Sydnor
600 East Broad Street, Suite 700
Richmond, VA 21219

Sincerely,
William D. Sydnor
William D. Sydnor
Contract Management Director

Enclosure

**REQUEST FOR PROPOSALS
RFP 2007-01**

ISSUE DATE: September 22, 2006

Title: Consulting and Actuarial Services for the Division of Provider Reimbursement

Period of Contract: Contract is for one year from date of award with provisions for two consecutive 12-month periods.

Contact Person: All inquiries should be addressed in writing by fax at (804) 786-0729, by e-mail at nick.merciez@dmass.virginia.gov or by mail to:

T. Nicholas Merciez, Reimbursement Manager
Provider Reimbursement Division
Department of Medical Assistance Services
600 East Broad Street, Suite 700
Richmond, VA 23219

Deadline for submitting Letters of Intent and questions: is **2:00 p.m. local time October 11, 2006.**

Proposal Due Date: Proposals will be accepted until **2.00 p.m., local time November 20, 2006.** The Proposal will be sealed in an envelope or box and addressed as follows:

“RFP Sealed Proposal RFP 2007-01”
Department of Medical Assistance Services
600 E. Broad Street, Suite 700
Richmond, Virginia 23219
Attention: William D. Sydnor

Facsimile Transmission is not acceptable

Note: This public body does not discriminate against faith-based organizations in accordance with the *Code of Virginia*, §2.2-4343.1 or against an offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

In compliance with this Request for Proposal and to all conditions imposed therein and hereby incorporated by reference, the undersigned proposes and agrees to furnish the services contained in their proposal.

Firm Name (Print)	F.I. or S.S. Number
Address	Print Name
Address	Title
City, State, Zip Code	Signature (Signed in Ink)
Telephone	Date Signed
Fax Number	
eVA Registration Required	eVA Vendor #:
Check Applicable Status Corporation ----- Partnership ----- Proprietorship ----- Individual ----- - Woman Owned ----- Minority Owned ----- Small Business ----- If DMBE certified, provide certification number: _____	

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF MEDICAL ASSISTANCE SERVICES**

**REQUEST FOR PROPOSALS
FOR
CONSULTING AND ACTUARIAL SERVICES
FOR THE
PROVIDER REIMBURSEMENT DIVISION**

RFP 2007-01

September 22, 2006

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1. PURPOSE AND DEFINITIONS

The Department of Medical Assistance Services (DMAS) is the single State agency in the Commonwealth of Virginia that administers the Medicaid and State Children's Health Insurance Program (SCHIP) Programs under Title XIX and XXI of the Social Security Act, respectively, 42 Code of Federal Regulations, §431.53. DMAS is responsible for the development, implementation, and administration of the Medicaid program, Family Access to Medical Insurance Security (FAMIS), the Pre-Program of All-Inclusive Care for the Elderly (Pre-PACE) the Program of All-Inclusive Care for the Elderly (PACE), and other health care programs. The Division of Provider Reimbursement is responsible for the establishment of Medicaid rates paid for capitated programs.

DMAS is hereby soliciting proposals from qualified organizations through a competitive procurement process, in order to purchase actuarial review services to review and evaluate the capitation rates for the Medallion II program. This RFP is intended to provide potential contractors with sufficient information to submit proposals meeting minimum requirements. Contractors are encouraged to expand on the specifications based on their experience and knowledge.

Number of Awards: The services will be purchased from a single firm through competitive negotiations.

Duration of the Contract: The contract will be for an initial period of one year from the date of award, with provision for two consecutive 12-month extensions.

General Scope of Responsibilities: The successful contractor will perform an independent actuarial review of Medallion II capitation rates that are paid to managed care organizations (MCOs) to provide all contracted health care services.

Definitions:

- ACTUARIALLY SOUND CAPITATION RATES: Defined in 42 CFR 438.6 - capitation rates that have been developed in accordance with generally accepted actuarial principles and practices; are appropriate for the populations to be covered and the services to be furnished under the contract; and have been certified as actuarially sound by actuaries who meet the qualification standards established by the American Academy of Actuaries and follow the practice standards established by the Actuarial Standards Board.
- BALANCED BUDGET ACT (BBA): Refers to the Balanced Budget Act of 1997; the final rule, issued June 14, 2002; effective August 13, 2002. The BBA is the comprehensive revision to Federal statutes governing all aspects of Medicaid managed care programs as set forth in section 1932 of the Social Security Act and Title 42 Code of Federal Regulations (CFR) Part 438 et. seq.
- 1915(b) WAIVER: The waiver required by the Centers for Medicare and Medicaid Services that states must obtain, in order to implement managed care and prepaid health plan programs. Waivers must be renewed every two years.
- CAPITATION RATE: The monthly rate, payable to the Vendor, per enrollee, for all expenses incurred by the Vendor in the provision of contract services for the period covered by the contract.
- CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS): The Federal agency that administers Medicaid and the Children's Health Insurance Program.
- CHRONIC ILLNESS AND DISABILITY PAYMENT SYSTEM (CDPS): A diagnostic classification system that Medicaid programs can use to make health-based capitated payments

for Temporary Assistance to Needy Families (TANF) and aged, blind and disabled Medicaid beneficiaries.

- CLAIMS DATA: An itemized statement of healthcare services and their costs provided by a hospital, physician's office or other provider. Claims are submitted to the insurer or managed care plan by either the plan member or the provider for payment of the costs incurred.
- CMSIP – Children's Medical Security Insurance Program: The Virginia Title XXI State Child Health Insurance Program (SCHIP), prior to 2002.
- CONTRACTOR: Organization under contract with DMAS to provide actuarial and consulting services.
- ENCOUNTER DATA: Data provided to DMAS by Vendors that reflect the claims paid to health care providers who provide services to Medicaid recipients.
- FAMIS and FAMIS PLUS– Family Access to Medical Insurance Security: In 2002, DMAS consolidated all children eligible for services administered by DMAS under one umbrella name. FAMIS covers children who qualify for benefits under Virginia's separate Title XXI State Child Health Insurance Program (SCHIP). FAMIS PLUS includes children who are medically indigent and eligible for benefits under Virginia's SCHIP Medicaid Expansion under Title XXI or under Title XIX (Medicaid) of the Social Security Act.
- FAMIS MOMS: Title XXI expansion population consisting of pregnant women with a family income between 133% and 166% of the Federal Poverty Level.
- FEE FOR SERVICE (FFS): The Medicaid program in which payment for individual health care services are made, based upon the Medicaid FFS rate and fee schedules.
- MANAGED CARE ORGANIZATION (MCO): An insurance organization arranging benefits through managed care. DMAS currently contracts with five MCOs offering seven products. The number of contracted MCOs may change over the course of the contract period.
- MEDALLION: The Medicaid Primary Care Case Management Program (PCCM) that requires Medicaid recipients to select a primary care provider who manages their care and coordinates inpatient and specialty referrals. Primary Care Providers receive a monthly case management fee for managing patient care. Other services provided to recipients in MEDALLION are paid on a FFS basis.
- MEDALLION II: A full-risk MCO program for Medicaid recipients residing in the Tidewater, Northern, Southwest and Central Virginia regions and other areas in the state. Services are arranged by the MCO, and DMAS pays the MCO a monthly capitation payment to fund all contracted health care services. In areas of the state where only one MCO participates, Medicaid recipients may choose between enrolling in the MCO or remaining in MEDALLION, the PCCM program.
- MEDICAID EXPANSION GROUP: Children between the ages of 6 and 19 years with a family income greater than 100% but less than 133% of the Federal Poverty Level.
- OFFEROR: Organization submitting a proposal to DMAS to provide actuarial review services.
- OPTIONS: A voluntary MCO program that has been open to Medicaid recipients living in certain geographic locations in the past. Currently there are no areas in which *Options* operates.
- PRE-PROGRAM FOR ALL-INCLUSIVE CARE FOR THE ELDERLY (PRE-PACE): A comprehensive and integrated package of long-term medical, rehabilitative and other services, including day health care, nutritional counseling, respite care, escort services, supportive services, transportation, and meals. Pre-Pace does not include acute care and Medicare payments.
- PROGRAM FOR ALL-INCLUSIVE CARE FOR THE ELDERLY (PACE): A comprehensive and integrated package of long-term medical, rehabilitative and other services, including day health care, nutritional counseling, respite care, escort services, supportive services,

transportation, meals and acute care services. PACE includes Medicare payments. The PACE program is scheduled for implementation in the fall of 2006.

- **PRIMARY CARE CASE MANAGEMENT (PCCM):** A system under which a primary care case manager contracts with the Commonwealth to furnish case management services (which include the location, coordination, and monitoring of primary health care services) to recipients. The MEDALLION program is Virginia's PCCM program.
- **PROTECTED HEALTH INFORMATION (PHI):** Individually identifiable health information that is created or received by a health care provider, health plan, employer, or health care clearinghouse and that relates to the mental or physical health of the individual, the provision of health care to the individual, or payment for the provision of health care to the Individual.
- **RATE CELL:** A capitation payment amount, based upon age, gender, basis of Medicaid eligibility, geography and other characteristics.
- **RISK ADJUSTMENT:** The statistical adjustment of measures to account for risk factors that are beyond the control of the MCO, such as the patient's gender, age and the seriousness of the patient's illness or presence of chronic health conditions.
- **SMILES FOR CHILDREN:** A dental services program implemented in July 2005. Smiles For Children serves approximately 400,000 Medicaid and FAMIS children in both fee-for-service and managed care programs and provides services through the use of a single Dental Benefits Administrator (DBA). Dental services are carved out of the MCO contracts.
- **STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP):** A program, established by the Balanced Budget Act, designed to provide health assistance to uninsured, low-income children either through separate programs, or through expanded eligibility under state Medicaid programs.
- **TEST OF COST EFFECTIVENESS:** The method used by CMS to ensure that the provision of health care services to Medicaid recipients in managed care arrangements is cost effective. Medicaid agencies must project the total cost of the waiver and the cost of care on a per member per month basis in a prospective period, when applying for a managed care waiver or waiver renewal, and then spend under the projected cost.
- **VENDOR:** An entity under contract with DMAS that provides services, such as a managed care organization, a pre-paid health plan, an administrative services organization, or a transportation broker.

2. BACKGROUND INFORMATION

2.1. INTRODUCTION: The Virginia Medicaid program relies on both managed care organizations (MCO) and fee-for-service (FFS) arrangements to provide health care services to Medicaid recipients. Enrolled in managed care programs are Medicaid recipients who qualify for benefits under Temporary Assistance to Needy Families (TANF); Aged, Blind and Disabled (ABD); Medicaid Expansion; and, the State Children's Health Insurance Program (SCHIP). Recipients are excluded from managed care programs if they are enrolled in most of the other waiver programs administered by DMAS (e.g., Mental Retardation, Pre-PACE), if they reside in state behavioral health facilities or nursing homes or if they are dually eligible or have other comprehensive third-party health insurance. Recipients enrolled in the Smiles for Children, Healthy Returns Disease Management and Transportation Waivers may be concurrently enrolled in a managed care program.

2.2. MANAGED CARE PROGRAMS: MEDALLION is a statewide primary care case management program (PCCM) that requires Medicaid recipients who meet Medicaid eligibility

criteria for Supplemental Security Income (SSI), TANF, and others to select a primary care provider (PCP) who manages their care and coordinates inpatient and specialty referrals. Primary care providers are paid a case management fee of \$3 per member per month, and they are paid the prevailing Medicaid fee-for-service rates for providing Medicaid-covered health care services. Approximately 60,200 Medicaid recipients were enrolled in the MEDALLION program in May 2006.

The Medallion II program utilizes MCOs to arrange health care services for Medicaid recipients. Currently, five MCOs offer a total of seven products to Medicaid enrollees, although not all MCOs offer products in all areas of the state. Under this program, MCOs are paid monthly capitation fees to fund the cost of most services provided to Medicaid recipients, including inpatient and outpatient services, pharmacy, transportation and behavioral health services. The Medallion II program is a mandatory MCO program in which all managed care eligible Medicaid recipients select an MCO from at least two MCOs operating in their geographic area. In areas where only one MCO operates, Medicaid recipients may select either the MCO or the PCCM program. Approximately 383,880 Medicaid recipients were enrolled in Medallion II in May 2006.

2.3 TRANSPORTATION WAIVER: In October 2005, DMAS contracted with a transportation broker under a separate 1915(b) waiver to provide transportation services to Medicaid recipients who are not enrolled in Medallion II (Recipients in Medallion II receive transportation services through MCOs). The transportation broker contracts with and reimburses individual transportation providers. The transportation broker is paid a monthly capitation fee for each Medicaid recipient enrolled in the transportation waiver program.

2.4 OTHER VENDORS: DMAS implemented the Smiles for Children dental program in July 2005 using a Dental Benefits Administrator to administer dental benefits. Dental services are carved out of the MCO contracts. In addition, DMAS implemented the Healthy Returns Disease Management program in June 2004. Medicaid recipients in the MEDALLION PCCM program may be concurrently enrolled in the Health Returns program; recipients in Medallion II are excluded from participation in Health Returns.

3. SCOPE OF SERVICES

3.1. EVALUATE DATA QUALITY:

Historically, MCO Capitation rates have been developed using a combination of MCO claims data provided by the MCOs, and DMAS claims data for recipients in the MEDALLION PCCM Program. Although DMAS does not desire a comprehensive audit of the data utilized in capitation rate setting, the Contractor should make an assessment as to the appropriateness of the data utilized by the current actuarial service provider for the stated purpose.

In addition, the Contractor is expected to evaluate whether or not the data collected by the current actuarial service provider meets the relevant requirements of the appropriate actuarial standards of practice as well as federal regulations. This includes the Checklist items AA.2.0 through AA.2.5 of the Financial Review Documentation for At-risk Capitated Contracts Ratesetting. It also includes Actuarial Standard of Practice Number 23 Data Quality.

The Contractor must assess the reliability, accuracy and completeness of the claims, data that are used to establish capitation rates. The Contractor must also make appropriate recommendations and justification for any changes to the data utilized by the current actuary.

3.2 REVIEW CAPITATION RATE DEVELOPMENT

3.2.1 REVIEW ASSUMPTIONS:

The Contractor will be required to review and evaluate the assumptions and methodologies employed by the current actuary. The evaluation should include a review of the incurred claims analysis and resulting incurred claims estimates developed by the current actuary. In addition, the Contractor should review the trend assumptions and claim adjustments calculated by the current actuary. The evaluation should include an analysis of the degree with which the current ratesetting actuary has complied with the appropriate actuarial standards of practice. Relevant Actuarial Standards of Practice include Numbers 5, 16, and 31 and the Health Council Practice Note – Actuarial Certification of Rates for Medicaid Managed Care Programs issued August 2005.

The Contractor should determine compliance by the ratesetting actuary with items AA.3.10 through AA.3.12 of the Checklist regarding Trend Inflation, Utilization and Cost Assumptions.

3.2.2 REVIEW ADJUSTMENT DEVELOPMENT:

The ratesetting actuary must develop credible utilization figures, trends, and adjustments to price health benefit packages that are offered to low-income newborns, pregnant women, adolescents, frail elderly persons, disabled persons, and other populations in the Medallion II Program. Adjustments to base period data may include those needed to account for changes that result from actions taken by the Federal government, the State General Assembly and/or by program changes, such as the inclusion of new populations in managed care, changes from one to multiple MCOs in a geographic area.

The Contractor should evaluate the adjustments listed in item AA.3.0 of the Checklist to determine the appropriateness, adequacy and applicability of any or all of those adjustments to the current ratesetting process. The Contractor should also evaluate the development of the administrative cost allowance included in the capitation rates by the current actuary.

3.2.3 REVIEW RATE CELL DEVELOPMENT:

The Contractor should evaluate the establishment of Rate Cells paying particular attention to the need for rate groups to be based on predictability. The Contractor is expected to opine on the number and composition of the Rate Cells and make recommendations for changes (if any) to the current methodology. The Contractor is expected to evaluate the need for and use of data smoothing techniques including techniques utilized for credibility issues as well as for catastrophic claims.

DMAS is interested in the possibility of utilizing a single statewide capitation rate with adjustments for variation in hospital wage levels by a limited number of geographic locations. The Contractor is (expected) must? to comment on the advantages/disadvantages of a statewide methodology, as compared to the current methodology.

3.2.4 REVIEW RISK ADJUSTMENT METHODOLOGY:

Capitation rates developed by the current actuary are risk adjusted using the CDPS risk-adjustment method, in order to ensure that the rates reflect the financial risk profile of Vendors' members. Risk-adjustment is performed annually at the beginning of the ratesetting process and semi-annually if the risk composition is believed to have materially changed. The current method of risk-adjustment should be reviewed to determine accuracy.

3.3 PREPARE REPORT:

The Contractor must prepare a formal report containing the results of the Contractor's work. The report must address each of the aforementioned items. A draft version of the formal report must be provided to the DMAS and the current actuarial service provider at least one month prior to the due date of the final report. The current actuarial service provider will be allowed to review and make comments on the draft audit report. The final audit report will incorporate the current actuary's comments and indicate those items (if any) upon which the Contractor and the current actuary disagree.

The final actuarial review report shall comply with all of the requirements of Actuarial Standard of Practice Number 41 Actuarial Communications.

4. CONTRACTOR QUALIFICATIONS: DMAS wishes to contract with a prominent firm that performs actuarial consulting services. The Offeror must demonstrate a high level of skill, knowledge, expertise and experience in the following areas:

- 4.1.** The calculation of actuarially sound capitation rates, consistent with State and Federal statutory and regulatory requirements, for managed care organizations that enroll low-income persons (e.g., newborns, adolescents, pregnant women, elderly and disabled persons, and special needs populations);
- 4.2.** A practical understanding of the Medicaid and SCHIP provisions of the Balanced Budget Act, in particular, the most current rules for developing actuarially sound capitation rates.
- 4.3.** Familiarity with the health care programs administered by DMAS, with Virginia health care markets and with national health care cost and utilization trends.
- 4.4.** The processing of large health claims and encounters databases from managed care organizations, Medicaid agencies and other Vendors to develop capitation rates for managed care programs, including verification of the accuracy and completeness of the data.
- 4.5.** Knowledge of the health insurance industry and community- and experience-based rating methods. The implementation of risk adjusters for capitation rates for health benefit packages - experience in the use of CDPS is preferred;
- 4.6.** The Contractor must have sufficient qualified staff to meet DMAS' needs. This includes, at a minimum, an actuary who is an Associate in the Society of Actuaries and a member of the American Academy of Actuaries.

- 4.7. The Contractor must demonstrate their ability to manage projects and match staff to tasks in a manner that provides the most efficient use of resources.
- 4.8. The Contractor must have the ability to interact with contracted Vendors in a professional and credible manner, both in the day-to-day performance of tasks, such as data exchange, and in the presentation of capitation rates and the methods used for their development.
5. **PROPOSAL PREPARATION AND SUBMISSION REQUIREMENTS:** The Offeror must meet the general and specific requirements discussed below, in order to be deemed responsive and qualified to contract with DMAS. DMAS may reject a proposal that is substantially incomplete or lacks critical information. Mandatory or critical items are those required by statute or regulation and that cannot be waived or subject to negotiation. Offerors may be asked to make an oral presentation of their proposal to DMAS staff. Such Offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the proposed project, as well as alternative concepts.

5.1. General Requirements

5.1.1. Submission Deadlines—Offerors must submit their questions about the RFP and the required signed Letter of Intent by 2:00 pm Local Time on October 11, 2006. Offerors must submit an original and four (4) copies of the technical proposal by 2:00 pm Local Time on November 20, 2006. Submissions of the signed Letter of Intent and Proposals should be made to the attention of William D. Sydnor at DMAS, 600 East Broad Street, Suite 700, Richmond, Virginia 23219. Any Letter of Intent or proposal in route, either in the mail or at a location other than 600 East Broad Street, on the specified date and time will not be considered timely. A Letter of Intent or proposal received after the deadline will be late and ineligible for consideration.

The Technical Proposal shall be clearly labeled “Technical Proposal RFP 2007-01” on the front cover. The legal name of the organization submitting the proposal shall also appear on the covers.

The technical proposal shall be typed, bound, page-numbered, single-spaced with a 12-point font on 8 1/2” x 11” paper with 1” margins and printed on one side only. Each copy of the Technical Proposal and all documentation submitted shall be contained in single three-ring binder volumes where practical. A tab sheet keyed to the Table of Contents shall separate each major section. The title of each major section shall appear on the tab sheet.

The Offeror shall submit an original and four (4) copies of the Technical Proposal by the response date and time specified in this RFP. Each copy of the proposal shall be bound separately. This submission shall be in a sealed envelope or sealed box clearly marked “RFP 2007-01 Technical Proposal”. The Offeror shall also submit one electronic copy (compact disc preferred) of their Technical Proposal in MS Word format (Microsoft Word 2000 or compatible format). In addition, the Offeror shall submit a redacted (proprietary and confidential information removed) electronic copy of their Technical Proposal (pdf preferred).

5.1.2. Submission Requirements - The proposal must contain the full name and address of every company, individual, or entity with an interest in the proposal. The proposal must be submitted in a sealed envelope clearly marked RFP 2007-01. The proposal must include a straightforward, concise

description of the Contractor's capabilities relative to the RFP's requirements and DMAS' needs. Emphasis should be placed on completeness and clarity of content.

5.1.3. Authorized Signature - The transmittal letter shall be on official organization letterhead and signed by the individual authorized to legally bind the Offeror to contract agreements and the terms and conditions contained in this RFP. The organization official who signs the proposal transmittal letter shall be the same person who signs the cover page of the RFP and Addenda.

At a minimum, the transmittal letter shall contain the following:

1. A statement that the Offeror meets the required conditions to be an eligible candidate for the contract award including:
 - a) The Offeror must identify any contracts or agreements they have with any state or local government entity that is similar in scope to the services described in the RFP. This information will be reviewed by DMAS to ensure there are no potential conflicts of interest;
 - b) Offeror must be able to present sufficient assurances to the state that the award of the contract to the Offeror will not create a conflict of interest between the Contractor, the Department, and its subcontractors; and
 - c) The Offeror must be licensed to conduct business in the state of Virginia.
2. A statement that the Offeror has read, understands and agrees to perform all of the Contractor responsibilities and comply with all of the requirements and terms set forth in this RFP, any modifications of this RFP, the Contract and Addenda;
3. The Offeror's general information, including the address, telephone number, and facsimile transmission number;
4. Designation of an individual as the authorized representative of the organization who will interact with DMAS on any matters pertaining to this RFP and the resultant Contract;
5. A statement agreeing that the Offeror's proposal shall be valid for a minimum of 180 days from its submission to DMAS; and

5.1.4. Signed Cover Page of the RFP and Addenda - To attest to all RFP terms and conditions, the authorized representative of the Offeror shall sign the cover page of this RFP, as well as the cover page of the Addenda, if issued, to the RFP, and submit them along with its proposal.

5.1.5 Format and Structure - The proposal must be organized in the order in which the requirements are presented in the RFP. All pages of the proposal must be numbered consecutively. Each paragraph in the proposal must reference the paragraph number of the corresponding section of the RFP. The proposal must contain a table of contents that cross-references the RFP requirements. Information that the contractor decides to furnish that does not fall within any of the RFP's stated requirements must be inserted at an appropriate place or be attached to the end of the proposal and labeled as additional material. A proposal that is not organized in this manner may be eliminated from consideration for award if the evaluators, in their sole discretion, are unable to determine where the RFP requirements are addressed specifically in the proposal.

5.1.6 Presentation - Each copy of the proposal must be bound or contained in a single volume, where practical. All documentation submitted with the proposal must be contained in that single volume.

5.1.7 Public and Proprietary Information - All data, materials, and documentation originated and prepared for the Commonwealth of Virginia in the RFP shall belong exclusively to the

Commonwealth and be subject to public inspection according to the Virginia Freedom of Information Act. Trade secrets or proprietary information submitted by a contractor shall not be subject to public disclosure under the Virginia Freedom of Information Act; however, the contractor must invoke the protections of Section 2.2-4342(F) of the Code of Virginia, in writing, either before or at the time the data are submitted. The written notice must identify specifically the data or materials to be protected and explain why protection is necessary. The proprietary or trade secret material must be identified by some distinct method, such as highlighting or underlining, and must indicate clearly the specific words, figures, or paragraphs that constitute trade secret or proprietary information. The classification of an entire proposal, line item prices, and/or total proposal prices as proprietary or trade secrets is not acceptable and, at the sole discretion of DMAS, may result in rejection or return of the proposal.

5.1.8 Confidentiality and Security - The Offer must describe how it will ensure the confidentiality and security of information in keeping with Commonwealth and Federal requirements, including, but not limited to, HIPPA. The Commonwealth and the Federal government require that all information pertaining to recipients, providers, health care facilities, and managed care plans be treated as confidential.

5.2 Specific Requirements

5.2.1. Complete Proposal - The proposal, including any subsequent addendum, must be complete and signed by an authorized representative of the Offeror.

5.2.2. Executive Summary - The proposal must include a summary that highlights an understanding of the contract requirements, qualifications to serve as the DMAS Contractor for the project, overall approach to the project and a summary of the contents of the proposal.

5.2.3. Capacity Summary - The proposal must include the Offeror's experience with developing capitation rates for managed health care services, including the use of risk adjustment methods, preferably the CDPS system. The proposal also must demonstrate that the Offeror has sufficient staff with the experience and credentials needed to meet DMAS' specific needs. The Offer may utilize subcontractors to work on portions of this project.

5.2.4. Qualifications Summary - The proposal must detail the relevant experience and credentials of the staff and subcontractors who will work on this engagement. It is imperative that the Offeror has significant experience in developing risk-adjusted capitation rates for health benefit packages. Resumes of staff and subcontractors proposed for this RFP are to appear as an attachment to the proposal submitted.

5.2.5 Step-by-Step Description of the Audit Process – The proposal must provide a detailed and specific description of the approach they would take in auditing the data and methods used in capitation rate development by the current Actuary, as outlined in Sections 3.1 and 3.2. of this RFP.

5.2.6. Staff Roster - The Offeror should provide a description and chart of the overall organizational structure that identifies all staff proposed for this contract. Staff must include, but is not limited to, an Actuary who is an Associate in the Society of Actuaries and a member of the American Academy of Actuaries. The Offeror must name the individuals (along with their job titles) who will work with DMAS and demonstrate their experience and credentials. The Offeror must commit in writing not to

change the proposed staffing without DMAS' prior written concurrence. The Offeror must also include in the proposal a signed commitment letter from any subcontractor proposed for the project to provide services during a specified time period.

5.2.7. Project Management - The Offeror must describe its plans to staff, manage, control and supervise the contract and demonstrate the ability to staff and manage projects in an efficient and cost effective manner, in order to provide maximum value to the State. The description will include an estimate of the mix of contractor staff that will be assigned to specific tasks.

5.2.8. References - The Offeror must provide a comprehensive listing of contracts of similar size and scope that the Offeror has successfully completed, including contracts with other State Medicaid Agencies, as evidence of their ability to successfully complete the services required by this RFP. A description of all such contracts should be included and should show how such contracts relate to the ability of the firm to complete the services required by this RFP. For each such contract, the Offeror should provide the name and telephone number of a contact person. In addition, the Offeror must provide the names, titles, addresses, and telephone numbers of three references from among commercial or government clients for whom it has performed similar work during the past three years.

5.2.9. Additional Information -The Contractor is encouraged to furnish any other information pertinent for the project.

6. EVALUATION CRITERIA: DMAS will evaluate each proposal using the criteria discussed below. DMAS may decide not to contract with any of the Offerors. DMAS will score and rank the proposals based on the overall composite or weighted score for all criteria combined. The following criteria will be used to score and rank each proposal:

6.1 Contractor Qualification Evaluation Criteria 45%

6.1.1. The experience and expertise of the Offeror in providing actuarial services to calculate actuarially sound, risk-adjusted capitation rates for managed care programs for low-income newborns, adolescents, pregnant women, the frail elderly, and disabled persons covered by Medicaid.

6.1.2. The experience and expertise of the Offeror in providing actuarial services to calculate actuarially sound, risk-adjusted capitation rates for Medicaid and other public health programs, subject to Medicaid upper payment and Federal waiver limits.

6.1.3. The Offeror's practical understanding of federal regulations pertaining to Medicaid capitation rate setting methodology.

6.1.4. The Offeror's familiarity with the health care programs administered by DMAS and with Virginia health care markets. The depth and breadth of the Offeror's knowledge of health care markets and trends.

6.1.5. The experience and expertise of the Offeror in working with and validating large volumes of claims and encounter data from multiple health insurance companies, transportation and other providers and from State Medicaid agencies.

6.1.6. The experience and expertise of the Offeror in community and experience-based health insurance rate setting, including the use of risk adjustment with CDPS as the preferred method.

6.1.7. The expertise and credentials of the Offeror and staff who will be assigned to work on the project. The quality of the references for similar work the Offeror has performed during the past three years.

6.1.8. Demonstration of the Offeror's ability to interact with contracted Vendor staff in a professional and credible manner.

6.2. Specific Requirements Evaluation Criteria

25%

6.2.1 Complete Proposal. The completeness and overall quality of the proposal.

6.2.2 Summary Statements. Clear and concise executive, capacity and qualifications summaries that demonstrate the Offeror's understanding of and ability to perform all elements presented in the Scope of Service.

6.2.3 Qualifications. The closeness of the match between the knowledge, skills, and ability of the persons listed in the staff roster and the tasks required in the Scope of Service. The demonstration that staff listed in the staff roster has sufficient expertise and experience in the performance of tasks required by the Scope of Service. At least one staff member who is an Associate in the Society of Actuaries and a member of the American Academy of Actuaries.

6.2.4 Rate Setting Audit Process. The Offeror's ability to clearly and completely communicate the detailed step-by-step approach to all tasks related to the audit of capitation rate setting data and methodologies, including the quality and soundness of the approach and proposed methods. Mere reiterations of the tasks are strongly discouraged, as they do not provide insight into the Offeror's ability to complete the contract. This section of the proposal should be designed to convince the State that the Offeror's approach demonstrates knowledge of the steps, considerations, issues and challenges that are faced in calculating capitation rates and their solutions.

6.2.5 Staff Roster. The adequacy of the Offeror's organizational structure and staffing plan.

6.2.6 Project Management. The demonstrated ability to staff and manage the project in an efficient and cost-effective manner. The ability to deliver products in a timely manner.

6.2.7 References. The demonstration of successful past experience in providing service required by the RFP to organizations similar to DMAS. The quality of the references.

6.3 SWaM Utilization Plan

30%

Offeror shall submit the estimated percentage of a resulting contract that will be performed by Small Business, Women Owned Business or a Minority Owned Business (SWaM). If the Prime Contractor is certified as a small business that offeror will receive the highest percentage of points, if the Prime Contractor is not a certified small business that offeror will receive a lesser percentage of points depending upon the percentage of a resulting contract that is subcontracted to certified SWaM vendors. Certification as a SWaM vendor is as defined by the Virginia Department of Minority Business Enterprise (DMBE) www.dmbv.virginia.gov.

7. **AWARD CRITERIA:** The Commonwealth shall engage in individual discussions with two or more offerors deemed fully qualified, responsible and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Repetitive informal interviews shall be permissible. Such offerors shall be encouraged to elaborate on their qualifications and performance data

or staff expertise pertinent to the proposed project, as well as alternative concepts. At the discussion stage the public body may discuss non-binding estimates of total project costs, including, but not limited to, life-cycle costing, and, where appropriate, non-binding estimates of price for services. Proprietary information from competing offerors shall not be disclosed to the public or to competitors. At the conclusion of the informal interviews, on the basis of evaluation factors published in the Request for Proposals and all information developed in the selection process to this point, the purchasing agency shall select, in the order of preference, two or more offerors whose professional qualifications and proposed services are deemed most meritorious. Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract satisfactory and advantageous to the purchasing agency can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on, until such a contract can be negotiated at a fair and reasonable price. The Commonwealth reserves the right to make multiple awards as a result of this solicitation. Should the Commonwealth determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.

8.1. REPORTING REQUIREMENTS AND DELIVERABLES: At a minimum, the successful contractor must furnish DMAS with the following deliverables:

- 8.1.1** Timely, well-written reports with spreadsheets and other supporting documentation showing rate calculations for health benefits for covered populations, using software and platforms specified by DMAS.
- 8.1.2** Electronic files (i.e., tapes, CD's or secure e-mail files) of reports, spreadsheets, and supporting documentation in formats specified by DMAS.
- 8.1.3** Periodic meetings with DMAS staff explain the rates and answer related questions.
- 8.1.4** All claims, encounter, eligibility, and other files that DMAS provides to the successful contractor must be returned to DMAS after the final capitation rates are established. These files will be the sole property of DMAS.

8.2. METHOD OF PAYMENT: Compensation under the contract will be paid at the negotiated hourly rates plus approved expenses on a monthly basis. The Contractor must furnish DMAS with detailed invoices or bills identifying the Federal tax identification number, the contract number, the task, the number of hours worked by each person assigned to the task, the corresponding hourly rate, and allowable out-of-pocket expenses. Invoices for out-of-pocket expenses shall be accompanied by supporting receipts. Each invoice submitted by the Contractor shall be subject to DMAS approval based on satisfactory performance of contracted services and compliance with all contract terms.

Payment will be made no later than thirty (30) days after receipt of a correct invoice for such payment. When payment is made by mail, the date of the postmark shall be deemed to be the date of payment. Any amounts due the Commonwealth under the terms of this Agreement may be applied against the Contractor's invoice with appropriate information attached.

9. GENERAL TERMS AND CONDITIONS

9.1. VENDORS MANUAL: This solicitation is subject to the provisions of the Commonwealth of Virginia *Vendors Manual* and any changes or revisions thereto, which are hereby incorporated into this contract in their entirety. The procedure for filing contractual claims is in section 7.19 of the *Vendors Manual*. A copy of the manual is normally available for review at the purchasing office and is accessible on the Internet at www.dgs.state.va.us/dps under "Manuals."

9.2.1 APPLICABLE LAWS AND COURTS: This solicitation and any resulting contract shall be governed in all respects by the laws of the Commonwealth of Virginia and any litigation with respect thereto shall be brought in the courts of the Commonwealth. The agency and the contractor are encouraged to resolve any issues in controversy arising from the award of the contract or any contractual dispute using Alternative Dispute Resolution (ADR) procedures (*Code of Virginia*, § 2.2-4366). ADR procedures are described in Chapter 9 of the *Vendors Manual*. The contractor shall comply with all applicable federal, state and local laws, rules and regulations.

9.2.2 ANTI-DISCRIMINATION: By submitting their proposals, offerors certify to the Commonwealth that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Contracting Act of 1975, as amended, where applicable, the Virginians With Disabilities Act, the Americans With Disabilities Act and § 2.2-4311 of the Virginia Public Procurement Act (VPPA). If the award is made to a faith-based organization, the organization shall not discriminate against any recipient of goods, services, or disbursements made pursuant to the contract on the basis of the recipient's religion, religious belief, refusal to participate in a religious practice, or on the basis of race, age, color, gender or national origin and shall be subject to the same rules as other organizations that contract with public bodies to account for the use of the funds provided; however, if the faith-based organization segregates public funds into separate accounts, only the accounts and programs funded with public funds shall be subject to audit by the public body. (*Code of Virginia*, § 2.2-4343.1E).

In every contract over \$10,000 the provisions in 1. and 2. below apply:

1. During the performance of this contract, the contractor agrees as follows:
 - a. The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.
 - b. The contractor, in all solicitations or advertisements for employees placed by or on behalf of the contractor, will state that such contractor is an equal opportunity employer.
 - c. Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting these requirements.
2. The contractor will include the provisions of 1. above in every subcontract or purchase order over \$10,000, so that the provisions will be binding upon each subcontractor or Vendor.

- 9.4. ETHICS IN PUBLIC CONTRACTING:** By submitting their proposals, offerors certify that their proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other offeror, supplier, manufacturer or subcontractor in connection with their proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged.
- 9.5. IMMIGRATION REFORM AND CONTROL ACT OF 1986:** By submitting their proposals, offerors certify that they do not and will not during the performance of this contract employ illegal alien workers or otherwise violate the provisions of the federal Immigration Reform and Control Act of 1986.
- 9.6. DEBARMENT STATUS:** By submitting their proposals, offerors certify that they are not currently debarred by the Commonwealth of Virginia from submitting bids or proposals on contracts for the type of goods and/or services covered by this solicitation, nor are they an agent of any person or entity that is currently so debarred.
- 9.7. ANTITRUST:** By entering into a contract, the contractor conveys, sells, assigns, and transfers to the Commonwealth of Virginia all rights, title and interest in and to all causes of action it may now have or hereafter acquire under the antitrust laws of the United States and the Commonwealth of Virginia, relating to the particular goods or services purchased or acquired by the Commonwealth of Virginia under said contract.
- 9.8. MANDATORY USE OF STATE FORM AND TERMS AND CONDITIONS:** Failure to submit a proposal on the official state form, in this case the completed and signed RFP Cover Sheet may be a cause for rejection of the proposal. Modification of or additions to the General Terms and Conditions of the solicitation may be cause for rejection of the proposal; however, the Commonwealth reserves the right to decide, on a case by case basis, in its sole discretion, whether to reject such a proposal.
- 9.9. CLARIFICATION OF TERMS:** If any prospective Offeror has questions about the specifications or other solicitation documents, the prospective Offeror should contact the individual whose name appears on the face of the solicitation no later than October 11, 2006. Any revisions to the solicitation will be made only by addendum issued by the buyer. Offerors must check the DMAS web site at www.dmas.virginia.gov and/or check the eVA web site at www.eva.state.va.us for any addendums or notices regarding this RFP.
- 9.10. PAYMENT:**
1. To Prime Contractor:
 - a. Invoices for items ordered, delivered and accepted shall be submitted by the contractor directly to the payment address shown on the purchase order/contract. All invoices shall show the state contract number and/or purchase order number; social security number (for individual contractors) or the federal employer identification number (for proprietorships, partnerships, and corporations).
 - b. Any payment terms requiring payment in less than 30 days will be regarded as requiring payment 30 days after invoice or delivery, whichever occurs last. This shall not affect offers of discounts for payment in less than 30 days, however.

- c. All goods or services provided under this contract or purchase order, that are to be paid for with public funds, shall be billed by the contractor at the contract price, regardless of which public agency is being billed.
- d. The following shall be deemed to be the date of payment: the date of postmark in all cases where payment is made by mail, or the date of offset when offset proceedings have been instituted as authorized under the Virginia Debt Collection Act.
- e. Unreasonable Charges. Under certain emergency procurements and for most time and material purchases, final job costs cannot be accurately determined at the time orders are placed. In such cases, contractors should be put on notice that final payment in full is contingent on a determination of reasonableness with respect to all invoiced charges. Charges which appear to be unreasonable will be researched and challenged, and that portion of the invoice held in abeyance until a settlement can be reached. Upon determining that invoiced charges are not reasonable, the Commonwealth shall promptly notify the contractor, in writing, as to those charges which it considers unreasonable and the basis for the determination. A contractor may not institute legal action unless a settlement cannot be reached within thirty (30) days of notification. The provisions of this section do not relieve an agency of its prompt payment obligations with respect to those charges which are not in dispute (*Code of Virginia*, § 2.2-4363).

2. To Subcontractors:

- a. A Contractor awarded a contract under this solicitation is hereby obligated:
 - (1) To pay the subcontractor(s) within seven (7) days of the Contractor's receipt of payment from the Commonwealth for the proportionate share of the payment received for work performed by the subcontractor(s) under the contract; or
 - (2) To notify the agency and the subcontractor(s), in writing, of the Contractor's intention to withhold payment and the reason.
 - b. The Contractor is obligated to pay the subcontractor(s) interest at the rate of one percent per month (unless otherwise provided under the terms of the contract) on all amounts owed by the contractor that remain unpaid seven (7) days following receipt of payment from the Commonwealth, except for amounts withheld as stated in (2) above. The date of mailing of any payment by U. S. Mail is deemed to be payment to the addressee. These provisions apply to each sub-tier contractor performing under the primary contract. A Contractor's obligation to pay an interest charge to a subcontractor may not be construed to be an obligation of the Commonwealth.
3. Each prime contractor who wins an award in which provision of a SWAM procurement plan is a condition to the award, shall deliver to the contracting agency or institution, on or before request for final payment, evidence and certification of compliance (subject only to insubstantial shortfalls and to shortfalls arising from subcontractor default) with the SWAM procurement plan. Final payment under the contract in question may be withheld until such certification is delivered and, if necessary, confirmed by the agency or institution, or other appropriate penalties may be assessed in lieu of withholding such payment.

- 9.11. PRECEDENCE OF TERMS:** The following General Terms and Conditions *VENDORS MANUAL*, *APPLICABLE LAWS AND COURTS*, *ANTI-DISCRIMINATION*, *ETHICS IN PUBLIC CONTRACTING*, *IMMIGRATION REFORM AND CONTROL ACT OF 1986*, *DEBARMENT STATUS*, *ANTITRUST*, *MANDATORY USE OF STATE FORM AND TERMS AND CONDITIONS*, *CLARIFICATION OF TERMS*, *PAYMENT* shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.
- 9.12. QUALIFICATIONS OF OFFERORS:** The Commonwealth may make such reasonable investigations as deemed proper and necessary to determine the ability of the Offeror to perform the services/furnish the goods and the Offeror shall furnish to the Commonwealth all such information and data for this purpose as may be requested. The Commonwealth reserves the right to inspect Offeror's physical facilities prior to award to satisfy questions regarding the Offeror's capabilities. The Commonwealth further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such Offeror fails to satisfy the Commonwealth that such offeror is properly qualified to carry out the obligations of the contract and to provide the services and/or furnish the goods contemplated therein.
- 9.13. TESTING AND INSPECTION:** The Commonwealth reserves the right to conduct any test/inspection it may deem advisable to assure goods and services conform to the specifications.
- 9.14. ASSIGNMENT OF CONTRACT:** A contract shall not be assignable by the Contractor in whole or in part without the written consent of the Commonwealth.
- 9.15. CHANGES TO THE CONTRACT:** Changes can be made to the contract in any of the following ways:
1. The parties may agree in writing to modify the scope of the contract. An increase or decrease in the price of the contract resulting from such modification shall be agreed to by the parties as a part of their written agreement to modify the scope of the contract.
 2. The Purchasing Agency may order changes within the general scope of the contract at any time by written notice to the contractor. Changes within the scope of the contract include, but are not limited to, things such as services to be performed, the method of packing or shipment, and the place of delivery or installation. The Contractor shall comply with the notice upon receipt. The Contractor shall be compensated for any additional costs incurred as the result of such order and shall give the Purchasing Agency a credit for any savings. Said compensation shall be determined by one of the following methods:
 - a. By mutual agreement between the parties in writing; or
 - b. By agreeing upon a unit price or using a unit price set forth in the contract, if the work to be done can be expressed in units, and the Contractor accounts for the number of units of work performed, subject to the Purchasing Agency's right to audit the contractor's records and/or to determine the correct number of units independently; or
 - c. By ordering the Contractor to proceed with the work and keep a record of all costs incurred and savings realized. A markup for overhead and profit may be allowed if provided by the contract. The same markup shall be used for determining a decrease in price as the result of savings realized. The

9.16 DEFAULT: In case of failure to deliver goods or services in accordance with the contract terms and conditions, the Commonwealth, after due oral or written notice, may procure them from other sources and hold the Contractor responsible for any resulting additional purchase and administrative costs. This remedy shall be in addition to any other remedies which the Commonwealth may have.

9.17 TAXES: Sales to the Commonwealth of Virginia are normally exempt from State sales tax. State sales and use tax certificates of exemption, Form ST-12, will be issued upon request. Deliveries against this contract shall usually be free of Federal excise and transportation taxes. The Commonwealth's excise tax exemption registration number is 54-73-0076K.

9.18 INSURANCE: By signing and submitting a bid or proposal under this solicitation, the bidder or offeror certifies that if awarded the contract, it will have the following insurance coverage at the time the contract is awarded. For construction contracts, if any subcontractors are involved, the subcontractor will have workers' compensation insurance in accordance with §§ 2.2-4332 and 65.2-800 et seq. of the *Code of Virginia*. The bidder or offeror further certifies that the Contractor and any subcontractors will maintain these insurance coverage during the entire term of the contract and that all insurance coverage will be provided by insurance companies authorized to sell insurance in Virginia by the Virginia State Corporation Commission.

1. Workers' Compensation: Statutory requirements and benefits: Coverage is compulsory for employers of three or more employees, to include the employer. Contractors who fail to notify the Commonwealth of increases in the number of employees that change their workers' compensation requirements under the Code of Virginia during the course of the contract shall be in noncompliance with the contract.
2. Employer's Liability: \$100,000.
3. Commercial General Liability: \$1,000,000 per occurrence. Commercial General Liability is to include bodily injury and property damage, personal injury and advertising injury, products and completed operations coverage. The Commonwealth of Virginia must be named as an additional insured and so endorsed on the policy.
4. Automobile Liability: \$1,000,000 per occurrence. (Only used if motor vehicle is to be used in the contract.).
5. Professional Liability/Errors and Omissions coverages:
Accounting \$1,000,000 per occurrence, \$3,000,000 aggregate

9.19 ANNOUNCEMENT OF AWARD: Upon the award or the announcement of the decision to award a contract over \$50,000, as a result of this solicitation, the purchasing agency will publicly post such notice on the DGS/DPS eVA web site (www.eva.state.va.us) for a minimum of 10 days.

9.20 DRUG-FREE WORKPLACE: During the performance of this contract, the Contractor agrees to (i) provide a drug-free workplace for the Contractor's employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of the Contractor that the Contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or Vendor.

For the purposes of this section, “*drug-free workplace*” means a site for the performance of work done in connection with a specific contract awarded to a Contractor, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession or use of any controlled substance or marijuana during the performance of the contract.

9.21. NONDISCRIMINATION OF CONTRACTORS: A bidder, offeror, or contractor shall not be discriminated against in the solicitation or award of this contract because of race, religion, color, sex, national origin, age, disability, faith-based organizational status, any other basis prohibited by state law relating to discrimination in employment or because the bidder or offeror employs ex-offenders unless the state agency, department or institution has made a written determination that employing ex-offenders on the specific contract is not in its best interest. If the award of this contract is made to a faith-based organization and an individual, who applies for or receives goods, services, or disbursements provided pursuant to this contract objects to the religious character of the faith-based organization from which the individual receives or would receive the goods, services, or disbursements, the public body shall offer the individual, within a reasonable period of time after the date of his objection, access to equivalent goods, services, or disbursements from an alternative provider.

9.22 eVA Business-To-Government Vendor Registration: The eVA Internet electronic procurement solution, web site portal www.eVA.virginia.gov, streamlines and automates government purchasing activities in the Commonwealth. The eVA portal is the gateway for vendors to conduct business with state agencies and public bodies. All vendors desiring to provide goods and/or services to the Commonwealth shall participate in the eVA Internet e-procurement solution either through the eVA Basic Vendor Registration Service or eVA Premium Vendor Registration Service. All bidders or offerors must register in eVA; failure to register will result in the bid/proposal being rejected.

- a. eVA Basic Vendor Registration Service: \$25 Annual Registration Fee plus the appropriate order Transaction Fee specified below. eVA Basic Vendor Registration Service includes electronic order receipt, vendor catalog posting, on-line registration, electronic bidding, and the ability to research historical procurement data available in the eVA purchase transaction data warehouse.
- b. eVA Premium Vendor Registration Service: \$25 Annual Registration Fee plus the appropriate order Transaction Fee specified below. eVA Premium Vendor Registration

Service includes all benefits of the eVA Basic Vendor Registration Service plus automatic email or fax notification of solicitations and amendments.

- c. For orders issued prior to August 16, 2006, the Vendor Transaction Fee is 1%, capped at a maximum of \$500 per order.
- d. For orders issued August 16, 2006 and after, the Vendor Transaction Fee is:
 - (i) DMBE-certified Small Businesses: 1%, capped at \$500 per order.
 - (ii) Businesses that are not DMBE-certified Small Businesses: 1%, capped at \$1,500 per order.

9.23 AVAILABILITY OF FUNDS: It is understood and agreed between the parties herein that the agency shall be bound hereunder only to the extent of the funds available or which may hereafter become available for the purpose of this agreement.

10. SPECIAL TERMS AND CONDITIONS

10.1 ACCESS TO PREMISES: The Contractor shall allow duly authorized agents or representatives of the State or Federal Government, during normal business hours, access to Contractor's and subcontractors' premises, to inspect, audit, monitor or otherwise evaluate the performance of the Contractor's and subcontractor's contractual activities and shall forthwith produce all records requested as part of such review or audit. In the event right of access is requested under this section, the Contractor and subcontractor shall, upon request, provide and make available staff to assist in the audit or inspection effort, and provide adequate space on the premises to reasonably accommodate the State or Federal personnel conducting the audit or inspection effort. All inspections or audits shall be conducted in a manner as will not unduly interfere with the performance of Contractor or subcontractor's activities. The Contractor will be given thirty (30) calendar days to respond to any preliminary findings of an audit before the Department shall finalize its findings. All information so obtained will be accorded confidential treatment as provided under applicable law.

The Department, the Office of the Attorney General of the Commonwealth of Virginia, the federal Department of Health and Human Services, and/or their duly authorized representatives shall be allowed access to evaluate through inspection or other means, the quality, appropriateness, and timeliness of services performed under this Contract.

10.2 ACCESS TO AND RETENTION OF RECORDS: In addition to the requirements outlined below, the Contractor must comply, and must require compliance by its subcontractors with the security and confidentiality of records standards.

10.2.1 ACCESS TO RECORDS: The Department, its duly authorized representatives and State and Federal auditors shall have access to any books, fee schedules, documents, papers, and records of the Contractor and any of its subcontractors.

The Department, or its duly authorized representatives, shall be allowed to inspect, copy, and audit any of the above documents, including, medical and/or financial records of the Contractor and its subcontractors.

10.2.2 RETENTION OF RECORDS: The Contractor shall retain all records and reports relating to this Contract for a period of six (6) years after final payment is made under this Contract or in the event

that this Contract is renewed six (6) years after the renewal date. When an audit, litigation, or other action involving records is initiated prior to the end of said period, however, records shall be maintained for a period of six (6) years following resolution of such action or longer if such action is still ongoing. Copies on microfilm or other appropriate media of the documents contemplated herein may be substituted for the originals provided that the microfilming or other duplicating procedures are reliable and are supported by an effective retrieval system which meets legal requirements to support litigation, and to be admissible into evidence in any court of law.

- 10.3 ADVERTISING:** In the event a contract is awarded for services resulting from this proposal, no indication of such sales or services to DMAS will be used in product literature or advertising. The Contractor shall not state in any of its advertising or product literature that the Commonwealth of Virginia or any agency or institution of the Commonwealth has purchased or uses its products or services.
- 10.4 AUDIT:** The Contractor shall retain all books, records, and other documents relative to this contract for six (6) years after final payment, or longer if audited by the Commonwealth of Virginia, whichever is sooner. The agency, its authorized agents, and/or state auditors shall have full access to and the right to examine any of said materials during said period.
- 10.5 AWARD:** The Commonwealth shall engage in individual discussions with two or more offerors deemed fully qualified, responsible and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Repetitive informal interviews shall be permissible. Such offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the proposed project, as well as alternative concepts. At the discussion stage the public body may discuss non-binding estimates of total project costs, including, but not limited to, life-cycle costing, and, where appropriate, non-binding estimates of price for services. Proprietary information from competing offerors shall not be disclosed to the public or to competitors. At the conclusion of the informal interviews, on the basis of evaluation factors published in the Request for Proposals and all information developed in the selection process to this point, the purchasing agency shall select, in the order of preference, two or more offerors whose professional qualifications and proposed services are deemed most meritorious. Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract satisfactory and advantageous to the purchasing agency can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on, until such a contract can be negotiated at a fair and reasonable price. The Commonwealth reserves the right to make multiple awards as a result of this solicitation. Should the Commonwealth determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.
- 10.6 CANCELLATION OF CONTRACT:** The Department reserves the right to cancel and terminate any resulting contract, in part or in whole, without penalty, upon 30 days written notice to the Contractor. Any contract cancellation notice shall not relieve the Contractor of the obligation to deliver and/or perform on all outstanding services issued prior to the effective date of cancellation.
- 10.7.1 TERMINATION:** This Contract may be terminated in whole or in part:
- a. By the Department, for convenience, with not less than thirty (30) days prior written notice, which notice shall specify the effective date of the termination,

- b. By the Department, in whole or in part, if funding from Federal, State, or other sources is withdrawn, reduced, or limited;
- c. By the Department if the Department determines that the instability of the Contractor's financial condition threatens delivery of services and continued performance of the Contractor's responsibilities; or
- d. By the Department if the Department determines that the Contractor has failed to satisfactorily perform its contracted duties and responsibilities.

Each of these conditions for contract termination is described in the following paragraphs.

10.7.2 TERMINATION FOR AVAILABLE FUNDS: The Contractor understands and agrees that the Department shall be bound only to the extent of the funds available or which may become available for the purpose of this resulting Contract. When the Department makes a written determination that funds are not adequately appropriated or otherwise unavailable to support continuance of performance of this Contract, the Department shall, in whole or in part, cancel or terminate this Contract.

The Department's payment of funds for purposes of this Contract is subject to and conditioned upon the availability of funds for such purposes, whether Federal and/or State funds. The Department may terminate this Contract upon written notice to the Contractor at any time prior to the completion of this Contract, if, in the sole opinion of the Department, funding becomes unavailable for these services or such funds are restricted or reduced. In the event that funds are restricted or reduced, it is agreed by both parties that, at the sole discretion of the Department, this Contract may be amended. If the Contractor shall be unable or unwilling to provide covered services at reduced rates, the Contract shall be terminated.

No damages, losses, or expenses may be sought by the Contractor against the Department, if, in the sole determination of the Department, funds become unavailable before or after this Contract between the parties is executed. A determination by the Department that funds are not appropriated or are otherwise inadequate or unavailable to support the continuance of this Contract shall be final and conclusive.

10.7.3 TERMINATION BECAUSE OF FINANCIAL INSTABILITY: In the event DMAS determines that the Contractor has become financially unstable to the point of threatening the ability of the Department to obtain the services provided for under the Contract, ceases to conduct business in the normal course, makes a general assignment for the benefit of creditors, or suffers or permits the appointment of a receiver for its business or assets, the Department may, at its option, immediately terminate this Contract effective at the close of business on a date specified by the Department. In the event the Department elects to terminate the Contract under this provision, the Contractor shall be notified in writing, by either certified or registered mail, specifying the date of termination. The Contractor shall submit a written waiver of the licensee's rights under the Federal bankruptcy laws.

In the event of the filing of a petition in bankruptcy by a principal network provider or subcontractor, the Contractor shall immediately so advise the Department. The Contractor shall ensure that all tasks that have been delegated to its subcontractor(s) are performed in accordance with the terms of this Contract.

10.7.4 TERMINATION FOR DEFAULT: The Department may terminate the Contract, in whole or in part, if the Department determines that the Contractor has failed to satisfactorily perform its duties

and responsibilities under this Contract and is unable to cure such failure within a reasonable period of time as specified in writing by the Department, taking into consideration the gravity and nature of the default. Such termination shall be referred to herein as “Termination for Default.”

Upon determination by the Department that the Contractor has failed to satisfactorily perform its duties and responsibilities under this Contract, the Contractor shall be notified in writing, by either certified or registered mail, of the failure and of the time period which has been established to cure such failure. If the Contractor is unable to cure the failure within the specified time period, the Department will notify the Contractor in writing within thirty (30) calendar days of the last day of the specified time period that the Contract, has been terminated in full or in part, for default. This written notice will identify all of the Contractor’s responsibilities in the case of the termination, including responsibilities related to enrollee notification, network provider notification, refunds of advance payments, return or destruction of Department data and liability for medical claims.

In the event that DMAS determines that the Contractor’s failure to perform its duties and responsibilities under this contract results in a substantial risk to the health and safety of Medicaid or FAMIS recipients, DMAS may terminate this contract immediately without notice.

If, after notice of termination for default, it is determined by the Department or by a court of law that the Contractor was not in default or that the Contractor’s failure to perform or make progress in performance was due to causes beyond the control of and without error or negligence on the part of the Contractor or any of its subcontractors, the notice of termination shall be deemed to have been issued as a termination for the convenience of the Department, and the rights and obligations of the parties shall be governed accordingly.

In the event of termination for default, in full or in part, as provided for under this clause, the Department may procure from other sources, upon such terms and in such manner as is deemed appropriate by the Department, supplies or services similar to those terminated, and the Contractor shall be liable for any costs for such similar supplies and services and all other damages allowed by law. In addition, the Contractor shall be liable to the Department for administrative costs incurred to procure such similar supplies or services as are needed to continue operations. In the event of a termination for default prior to the start of operations, any claim the Contractor may assert shall be governed by the procedures defined by the Department for handling contract termination. Nothing herein shall be construed as limiting any other remedies that may be available to the Department.

In the event of a termination for default during ongoing operations, the Contractor shall be paid for any outstanding payments due less any assessed damages.

10.8 PAYMENT: The Contractor shall be prepared to provide the full range of services requested under this RFP and resultant contract, on site and operationally ready to begin work by the implementation date established by DMAS. DMAS shall make payments as described in Section 8.2.

10.9 IDENTIFICATION OF PROPOSAL ENVELOPE: The signed proposal should be returned in a separate envelope or package sealed and identified as follows:

From: _____
Name of Offeror

Due Date /Time

Street or Box Number

City, State, Zip Code

RFP Number

Name of Contract/Purchase Officer:

The envelope should be addressed as directed on Page 1 of the solicitation.

If a proposal not contained in the special envelope is mailed, the Offeror takes the risk that the envelope, even if marked as described above, may be inadvertently opened and the information compromised which may cause the proposal to be disqualified. Proposals may be hand delivered to the designated location in the office issuing the solicitation. No other correspondence or other proposals should be placed in the envelope.

10.10 SWAM BUSINESSES SUBCONTRACTING AND EVIDENCE OF COMPLIANCE:

Each prime contractor who wins an award in which provision of a small, women or minority-owned (SWAM) procurement plan is a condition of the award, shall deliver to the contracting agency or institution evidence and certification of compliance (subject only to insubstantial shortfalls and to shortfalls arising from subcontractor default) with the SWAM procurement plan. When such business has been subcontracted to these firms and quarterly during the contract period, the Contractor agrees to furnish the purchasing office the following information: name of firm, phone number, total dollar amount subcontracted, category type (small, women, or minority-owned), and type of product/service provided on a quarterly basis. Final payment under the contract in question may be withheld until such certification is delivered and, if necessary, confirmed by the agency or institution, or other appropriate remedies may be assessed in lieu of withholding such payment. Names of SWAM certified firms may be available from the Virginia Department of Minority Business Enterprise at www.dmb.e.virginia.gov.

10.11 PRIME CONTRACTOR RESPONSIBILITIES: The Contractor shall be responsible for completely supervising and directing the work under this contract and all subcontractors that he may utilize, using his best skill and attention. Subcontractors who perform work under this contract shall be responsible to the prime Contractor. The Contractor agrees that he is as fully responsible for the acts and omissions of his subcontractors and of persons employed by them as he is for the acts and omissions of his own employees.

10.12 RENEWAL OF CONTRACT: This contract may be renewed by the Commonwealth upon written agreement of both parties for two successive one-year periods, under the terms of the current contract, and at a reasonable time (approximately 90 days) prior to the expiration. Cost increases in renewal years, at the option of the purchasing agency, will be limited to the lower of the increase in the CPI or salary adjustments to State employees.

10.13 CONFIDENTIALITY INFORMATION: By submitting a proposal, the Contractor agrees that information or data obtained by the Contractor from DMAS during the course of determining and/or preparing the proposal may not be used for any other purpose than determining and/or preparing the

Contractor's proposal. Such information or data may not be disseminated or discussed for any reasons not directly related to the determination or preparation of the proposal.

10.14 HIPAA COMPLIANCE: The Contractor shall comply, and shall ensure that any and all subcontractors comply, with all State and Federal laws and Regulations with regards to handling, processing, or using Health Care Data. This includes but is not limited to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) regulations as it pertains to this agreement, and the Contractor shall keep abreast of the regulations. Since this is a federal law and the regulations apply to all health care information, the Contractor shall comply with the HIPAA regulations at no additional cost to DMAS. The Contractor will also be required to enter into a DMAS-supplied HIPAA Business Associate Agreement with DMAS to comply with the regulations protecting Health Care Data. A template of this Agreement is available on the DMAS Internet Site at <http://www.dmas.virginia.gov/hpa-home.htm>.

10.15 OBLIGATION OF CONTRACTOR: By submitting a proposal, the Contractor covenants and agrees that it has satisfied itself of the conditions to be met, and fully understands its obligations, and that it will have no right to cancel this proposal or to relief of any other nature because of its misunderstanding or lack of information.

10.16 INDEPENDENT CONTRACTOR: Any Contractor awarded a contract under this RFP will be considered an independent Contractor, and neither the Contractor, nor personnel employed by the Contractor, is to be considered an employee or agent of DMAS.

10.17 OWNERSHIP OF INTELLECTUAL PROPERTY: All copyright and patent rights to all papers, reports, forms, materials, creations, or inventions created or developed in the performance of this contract shall become the sole property of the Commonwealth. On request, the Contractor shall promptly provide an acknowledgement or assignment in a tangible form satisfactory to the Commonwealth to evidence the Commonwealth's sole ownership of specifically identified intellectual property created or developed in the performance of the contract.

10.18 SUBSIDIARY-PARENT RELATIONSHIP: In the event the Offeror is a subsidiary or division of a parent organization, the Offeror must include in the proposal, a signed statement by the chief executive officer of the parent organization pledging the full resources of the parent organization to meet the responsibilities of the subsidiary organization under contract to DMAS. Any change in ownership will not relieve the original parent of its obligation of pledging its full resources to meet the obligations of the contract with DMAS without the expressed written consent of the DMAS Director.

10.19

eVA Business-To-Government Contracts and Orders: The solicitation/contract will result in one order(s) with the eVA transaction fee specified below assessed for each order.

- a. For orders issued prior to August 16, 2006, the Vendor Transaction Fee is 1%, capped at a maximum of \$500 per order.
- b. For orders issued August 16, 2006 and after, the Vendor Transaction Fee is:
 - (i) DMBE-certified Small Businesses: 1%, Capped at \$500 per order.
 - (ii) Businesses that are not DMBE-certified Small Businesses: 1%, Capped at \$1,500 per order.

The eVA transaction fee will be assessed approximately 30 days after each purchase order is issued. Any adjustments (increases/decreases) will be handled through eVA change orders.

Internet electronic procurement solution, web site portal www.eva.state.va.us , streamlines and automates government purchasing activities in the Commonwealth. The portal is the gateway for vendors to conduct business with state agencies and public bodies.

Vendors desiring to provide goods and/or services to the Commonwealth shall participate in the eVA Internet e-procurement solution and agree to comply with the following:

If this solicitation is for a term contract, failure to provide an electronic catalog (price list) or index page catalog for items awarded will be just cause for the Commonwealth to reject your bid/offer or terminate this contract for default. The format of this electronic catalog shall conform to the eVA Catalog Interchange Format (CIF) Specification that can be accessed and downloaded from www.eVA.virginia.gov. Contractors should email Catalog or Index Page information to eVA-catalog-manager@dgs.virginia.gov.

10.20 Compliance With Virginia Information Technology Accessibility Standard

The Contractor will comply with all State laws and Regulations with regards to accessibility to information technology equipment, software, networks, and web sites used by blind and visually impaired individuals. This accessibility standards are State law see § 2.2-3502 and § 2.2-3503 of The Code of Virginia. Since this is a State law and the regulations apply to accessibility to information technology equipment, software, networks, and web sites used by blind and visually impaired individuals, the Contractor will comply with the Accessibility Standards at no additional cost to DMAS. The contractor must also keep abreast of any future changes to The Virginia Code as well as any subsequent revisions to the Virginia Information Technology Standards. The current Virginia Information Technology Accessibility Standards are published on the Internet at <http://www.vita.virginia.gov/docs/websiteStandards.cfm>